

## Message Text

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ACTION EUR-12

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E. O. 11652: N/A  
TAGS: ABLD, AFSP, UR, US, PFOR  
SUBJECT: SHORT TERM LEASE RENT INCREASES

REFS: A. MOSCOW 2183, B. MOSCOW 2035, C. STATE 29660

1. SUMMARY: THE BRITISH CALLED A GENERAL MEETING ON APRIL 27 OF ADMINISTRATIVE OFFICERS OF INDUSTRIALIZED COUNTRIES TO EXCHANGE TACTICS IN DEALING WITH A SHARP RENT INCREASES AND WORSENEED LEASE CONDITIONS BEING INTRODUCED BY THE SOVIET AUTHORITIES IN MOSCOW. A NUMBER OF PROPOSALS WERE SET FORTH TO DEAL WITH THE SITUATION AND DEPARTMENT'S COMMENTS AND GUIDANCE ARE REQUESTED. END SUMMARY.

2. ON APRIL 27 THE BRITISH ADMINISTRATIVE COUNSELOR CALLED A MEETING OF ADMINISTRATIVE OFFICERS AND COUNSELORS FROM WESTERN EUROPE, US, CANADA, JAPAN, SINGAPORE AND INDIA. SOME TWENTY COUNTRIES WERE REPRESENTED INCLUDING FRANCE, WEST GERMANY, AUSTRALIA AND NEW ZEALAND. HE ANNOUNCED THAT A NUMBER OF EMBASSIES HAD RECEIVED RENT INCREASE BILLS AND NEW LEASES, EFFECTIVE APRIL 1, FROM UPDK.

3. UPDK SEEMS TO BE SENDING OUT THE RENT INCREASES AND LEASE CHANGES IN ALPHABETICAL ORDER, SO WE HAVE  
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NOT YET RECEIVED OURS. HOWEVER, THE INCREASES ON BRITISH LEASED APARTMENTS RANGE FROM 58 TO 140 PERCENT WITH AN AVERAGE INCREASE OF 67 PERCENT. THE INCREASE FOR IRISH LEASED APARTMENTS AVERAGED 43 PERCENT, WHILE AUSTRALIAN APARTMENTS INCREASED ON AVERAGE OF 58 PERCENT. DENMARK'S INCREASES RANGED FROM 60 TO 90 PERCENT UPDK HAS NOT INCREASED THE BASIC ANNUAL

RATE OF 35 RUBLES PER SQUARE METER PER YEAR FOR RESIDENTIAL UNITS. INSTEAD THE SOVIET USEABLE SPACE DEFINITIONS HAVE BEEN REVISED TO INCLUDE KITCHENS, CLOSETS, HALLWAYS, BATHROOMS, FOYERS, ETC. THE AVERAGE INCREASE WILL PROBABLY BE IN THE RANGE OF 50 TO 70 PERCENT. SOME EMBASSIES WITH LEASES IN "OLD BUILDINGS," SUCH AS THE BRITISH, ARE ALSO AFFECTED BY AN INCREASE IN THE RATE FOR "OLD BUILDINGS" FROM 25 AND 30 RUBLES PER SQUARE METER PER ANNUM TO THE BASIC RATE OF 35 RUBLES. NEARLY ALL OF OUR LEASES ARE IN "NEW BUILDINGS," SO OUR INCREASE WILL PROBABLY BE IN THE 50 TO 70 PERCENT RANGE.

4. CAUSING EVEN MORE CONCERN THAN THE RENT INCREASES WERE CHANGES IN THE LEASE TERMS. ALTHOUGH EVERYONE WAS WORKING FROM AN INFORMAL TRANSLATION (WE WILL SEND FORMAL TRANSLATION BY SEPTTEL WHEN AVAILABLE), IT APPEARS AT FIRST GLANCE THAT THE NEW LEASES WOULD AMONG OTHER THINGS PROHIBIT THE USE OF TRANSIENT APARTMENTS, FOREIGN WORKERS AND EMBASSY MAINTENANCE EMPLOYEES IN OUR APARTMENTS. SUCH CONDITIONS WOULD SERIOUSLY AND ADVERSELY AFFECT US AND OTHER LARGE EMBASSIES, SINCE WE DO NEARLY ALL OF OUR OWN MAINTENANCE. SMALLER EMBASSIES, WHICH ARE DEPENDENT UPON UPDK FOR MAINTENANCE, WAIT MONTHS FOR THE SERVICE AND THEN ARE CHARGED OUTRAGEOUS PRICES.

5. IN ADDITION TO THE COUNTRIES REPRESENTED AT THE MEETING, THE DUTCH INDICATED THAT THIRTY THREE AFRICAN LIMITED OFFICIAL USE

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COUNTRIES WERE ALSO CONSULTING ON A COMMON RESPONSE TO UPDK. APPARENTLY THE AFRICAN COUNTRIES WERE PARTICULARLY ANNOYED AT WHAT THEY REGARD AS THE ARBITRARY AND HEAVY HANDED ATTITUDE OF UPDK.

6. AFTER SOME DISCUSSION AND CONSIDERATION IT WAS AGREED THAT EACH OFFICER PRESENT WOULD RECOMMEND TO HIS EMBASSY AND FOREIGN OFFICE THE FOLLOWING PROPOSALS:

- A. PAY RENT FOR THE QUARTER APRIL - JUNE, 1977 AT THE OLD RATE;
- B. REFUSE TO SIGN THE NEW LEASES DEPENDING FURTHER STUDY AND CLARIFICATION;
- C. SET UP A WORKING GROUP CONSISTING OF THE ADMINISTRATIVE COUNSELORS OF THE U.S., CANADA, UK, SINGAPORE, INDIA, JAPAN AND AN AFRICAN NATION TO STUDY THE LEASE TERMS IN DETAIL AND TO MAKE RECOMMENDATIONS TO THE ENTIRE GROUP;
- D. ASKED THE DUTCH TO CHECK THE REACTION AND PLANS OF THE AFRICAN NATIONS;

E. FINALLY IT WAS CONFIRMED THAT NONE OF THE EMBASSIES REPRESENTED AT THE MEETING HAD ALREADY PAID THE NEW RATE OR SIGNED THE NEW LEASE.

7. COMMENT. THE EMBASSY STRONGLY RECOMMENDS THAT THE DEPARTMENT APPROVE THE PROPOSALS LISTED ABOVE AS A BASIS FOR BEGINNING NEGOTIATIONS WITH UPDK, AFTER WE RECEIVE FORMAL NOTIFICATION OF THE INCREASES AND THE NEW LEASES. ALTHOUGH WE UNDOUBTEDLY WILL HAVE TO PAY SOME INCREASE WE SHOULD MAKE EVERY EFFORT TO OBTAIN THE MOST FAVORABLE TERMS POSSIBLE. IT SEEMS LIKELY THAT THE SOVIETS ELIMINATED THE PREVIOUSLY PLANNED INCREASE IN THE BASIC RENTED RATE (FROM 35 TO 40 RUBLES PER SQUARE METER PER YEAR) BECAUSE OF THE ADVERSE REACTION OF OTHER EMBASSIES AND A NOTE FROM THE DEAN OF THE DIPLOMATIC CORPS TO UPDK IN MARCH EXPRESSING A GENERAL CONCERN ABOUT THE THEN RUMORED LIMITED OFFICIAL USE

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INCREASES. EVEN MORE IMPORTANT, HOWEVER, ARE CHANGES IN LEASE CONDITIONS WHICH WOULD ADVERSELY AFFECT HOUSING CONDITIONS AT THIS POST. WE STRONGLY BELIEVE THAT WE SHOULD NOT ACCEPT ANY LEASE CONDITIONS WHICH WOULD RESULT IN EVEN WORSE HOUSING THAN AT PRESENT. END COMMENT.

8. INCIDENTALLY, NEWS CORRESPONDENTS ARE ALSO RECEIVING RENT INCREASES AND QUESTIONS WILL BE RAISED AT THE AMBASSADOR'S PRESS CONFERENCE ON APRIL 29.

9. THE DEPARTMENT'S COMMENTS AND GUIDANCE WOULD BE APPRECIATE.  
TOON

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